INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Social Enterprise Development Partnerships, Inc. (SEDPI)
Unit 303 Loyola Heights Condo 23
F. Dela Rosa St., Brgy. Loyola Heights,
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Social Enterprise Development Partnerships, Inc. (SEDPI)** which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Social Enterprise Development Partnerships, Inc. (SEDPI)** as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulation No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 and disclosed in Note 15 is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, as Amended (2011). Such information is the responsibility of the management of **Social Enterprise Development Partnerships, Inc. (SEDPI).** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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BOA/PRC Reg. No. 0540
valid until December 31, 2018

Quezon City
April 06, 2018

Social Enterprise Development Partnerships, Inc.

STATEMENTS OF FINANCIAL POSITION

(*in Philippine Peso*)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash, *Note 5*	**365,702**	494,768
Accounts Receivable, *Note 6*	**16,255,575**	14,992,757
Other Current Assets, *Note 7*	**2,009,451**	1,398,359
Total Current Assets	**18,630,728**	16,885,884
Non-Current Assets		
Property and Equipment, *Note 8*	**6,606,112**	5,117,841
Total Non-Current Assets	**6,606,112**	5,117,841
TOTAL ASSETS	**25,236,840**	22,003,725
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable and Other Current Liabilities, *Note 9*	**20,439,356**	18,423,468
TOTAL LIABILITIES	**20,439,356**	18,423,468
Stockholders' Equity		
Capital Stock-₱200 par value, *Note 11* Authorized – 28,420 shares, Issued-10,153 shares	**3,203,140**	2,030,600
Retained Earnings	**1,594,344**	1,549,657
TOTAL STOCKHOLDERS' EQUITY	**4,797,484**	3,580,257
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**25,236,840**	22,003,725

See accompanying Notes to Financial Statements

Social Enterprise Development Partnerships, Inc.

STATEMENTS OF INCOME
(*in Philippine Peso*)

	Years ended December 31	
	2017	2016
REVENUES, *Note 12*	**10,405,739**	10,771,144
COST OF SERVICES, *Note 13*	**3,563,767**	3,536,794
GROSS PROFIT	**6,841,973**	7,234,350
OPERATING EXPENSES, *Note 14*	**6,634,831**	6,807,551
INCOME FROM OPERATIONS	**207,142**	426,800
Foreign Exchange Gain (Loss)	**(25,705)**	**-**
Interest Income	**90**	83
INCOME BEFORE TAX	**181,527**	426,882
PROVISION FOR INCOME TAX, *Note 10*	**136,839**	144,687
NET INCOME	**44,687**	282,195

See accompanying Notes to Financial Statements

Social Enterprise Development Partnerships, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in Philippine Peso)

	Capital Stock	Retained Earnings	TOTAL EQUITY
Balances at December 31, 2015	**2,030,600**	**1,267,462**	**3,298,062**
Net Income for the year	-	282,195	282,195
Balances at December 31, 2016	**2,030,600**	**1,549,657**	**3,580,257**
Net Income for the year	**-**	**44,687**	**44,687**
Additional Capital, *Note 11*	**1,172,540**	**-**	**1,172,540**
Balances at December 31, 2017	**3,203,140**	**1,594,344**	**4,797,485**

See accompanying Notes to Financial Statements

Social Enterprise Development Partnerships, Inc.

STATEMENTS OF CASH FLOWS

(*in Philippine Peso*)

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Tax	**181,527**	426,882
Adjustments for:		
Depreciation, *Note 14*	**326,333**	282,792
Income Taxes Paid, *Note 10*	**(136,839)**	(144,687)
(Increase)/Decrease in		
Advances and Receivables, *Note 6*	**(1,262,818)**	(2,626,758)
Other Current Assets, *Note 7*	**(611,092)**	58,967
Accounts Payable, *Note 9*	**2,015,888**	1,661,856
Net cash used in operating activities	**512,998**	(340,948)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Furniture, Fixtures and Equipment, *Note 8*	**(1,814,604)**	(60,319)
(Increase)/Decrease in Other Assets	**-**	171,276
Net cash used in investing activities	**(1,814,604)**	110,957
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Capital Stock, *Note 11*	**1,172,540**	-
Net cash used in financing activities	**1,172,540**	-
INCREASE (DECREASE) IN CASH	**(129,066)**	(229,992)
CASH AT BEGINNING OF THE YEAR	**494,768**	724,759
CASH AT END OF THE YEAR	**365,702**	494,768

See accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. The Company

The **Social Enterprise Development Partnerships, Inc. (SEDPI)** is a domestic stock corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission on July 30, 2004 under SEC Registration No. CS200411733. Its primary purpose is to provide consulting services to cooperative and non-government organizations.

The increase of authorized capital stock of Social Enterprise Development Partnerships, Inc. (SEDPI) from ₱20,000 divided into 100 shares of the par value of ₱200 each to ₱5,684,000 divided into 28,420 shares of the par value ₱200 each was approved by SEC on November 8, 2011 in accordance with the provision of Section 38 of the Corporation Code of the Philippines (Batas Pambansa Blg. 68).

The Company's registered office, which is also its principal place of business, was formerly located at 450 J. Marzan Street, Sampaloc, Manila. On November 14, 2013, the SEC approved the amendment of Article III changing its principal office to Unit 303 Loyola Heights Condo 23 F. Dela Rosa St., Brgy. Loyola Heights, Quezon City.

On December 31, 2015, stock dividends amounting to ₱999,600 were declared by the Board of Directors. Furthermore, they also decided the conversion of "advances to stockholder account" to stocks with an amount of ₱657,000 thereby increasing the total paid up capital to ₱2,030,600 which is equivalent to 10,153 subscribed shares.

The financial statements were approved and authorized for issuance on April 06, 2018.

2. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts are rounded to the nearest Philippine Peso, except when otherwise indicated. They have been prepared under the historical cost basis.

2.2 Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium sized Entities (SMEs).

2.3 Accounting Policies

The specific accounting policies followed by the Company are disclosed in the following section.

Cash
Cash includes cash on hand and with banks.

Trade Receivables
Trade receivables represent accounts receivables and are measured at invoice price and subsequently measured at face value as reduced by any appropriate allowances for doubtful accounts. The allowance for doubtful accounts are the estimated amount of probable losses arising from non-collection of receivables based on past collection experience and Management's review of the current status of the long-outstanding receivables.

Other Receivables
Other receivables are stated at their face values. These are receivables other than those which arise from the ordinary course of business of the Company. Other receivables consist of advances to employees and advances to suppliers.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, and any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period the costs are incurred. In situations, where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When property and equipment are sold or retired, their cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income and expenses.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The useful lives of the properties are as follows:

	Estimated Useful Life in Years
Building	20
Furniture and Fixtures	8
Transportation Equipment	10
Office equipment	3

Asset Impairment

At each reporting date, property and equipment are reviewed to determine whether there is any indication that assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Value-added Tax (VAT)

VAT is equal to 12% of the purchase or selling price of the vatable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales/services is called output VAT. Input VAT and output VAT are presented at net in the statement of financial position. Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Input VAT is generally recoverable through application to output VAT.

Trade and Other Payables

Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are non-interest bearing and are stated at their nominal values.

Accruals, if any, are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions

Trade accounts payable and accrued expenses are recognized in the period which the related money, goods or services are received or when a legally enforceable claim against the Company is established or when the corresponding assets or expenses are recognized. Trade and other payables are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Other Current Liabilities

Other current liabilities represent obligations arising from mandatory requirements of government and other agencies and not just from a mere contractual agreement between related parties.

Total Equity

Total equity comprises of contributed capital and cumulative fund.

Share Capital

Share capital is determined using the nominal value of shares that have been issued and fully paid. The costs of acquiring Company's own shares, if any, are shown as a deduction from equity attributable to the company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the company's equity holders.

Share Premium

Share premium, if any includes any premiums received on the initial issuing of capital stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

The Company has no share premium as of December 31, 2016.

Cumulative Earnings

Cumulative earnings include all current and prior period's results of operation as disclosed in the statement of income.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of the revenue can be measured reliably.

Interest Income

Interest income is recognized as the interest accrues.

Cost and Expense Recognition

Cost of sales

Cost of service is recognized when services are delivered to and accepted by the clients.

General and administrative expenses

General and administrative expenses comprise costs of administering the business and are recognized in the statement of income upon utilization of the service or in the dates they are incurred.

Employee Benefits

Short-term Benefits
The company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, and other non-monetary benefits.

Long-term Benefits
The Company provides retirement benefits to entitled employees as mandated by law.

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Deferred income tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred income tax assets to be recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in the tax rates are charged or credited to the income for the period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. When the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Reporting Period
Post-year-end events up to the date of the auditor's report that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Related Parties
Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees are also considered to be related parties.

3. Management's Significant Accounting Judgments and Estimates

3.1 Judgments
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). The Company qualifies as Small and Medium-sized Entity. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon Management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of the Company's functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso.

3.2 Estimates

Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation of useful lives of property and equipment

Useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates. Any reduction in the estimated useful lives of property and equipment would increase the Company's recorded operating expenses and decrease noncurrent assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties which are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

The useful lives of the properties are as follows:

	Estimated Useful Life in Years
Building	20
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

There is no change in the estimated useful lives of property and equipment and for the years ended December 31, 2017 and 2016. The carrying amount of the Company's property and equipment amounted to ₱6,606,112 and ₱5,117,841 as of December 31, 2017 and 2016, respectively (see Note 8).

Impairment of Non-financial Assets

The Company assesses the value of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Allowance for Doubtful Accounts

The company assesses whether objective evidence of impairment exists for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Revenue Recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

4. Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risks. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital Management Framework

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework

The operations of the Company are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit Risk

The Company's credit risk is primarily attributable to its trade and other receivables. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk. Receivable balances are being monitored on a periodic basis to ensure timely execution of necessary intervention efforts.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of generated funds. Liquidity risk is the risk when the Company will be unable to meet its payment obligations when they fall due. The Company manages this risk through periodic monitoring of cash flows in consideration of future payment due dates and daily collection amounts. The Company also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime.

5. Cash

This account consists of:

	2017	2016
Cash in Bank- BDO	**291,172**	418,983
Cash in Bank- UCPB	**46,188**	47,845
Cash in Bank- BPI	**28,341**	27,941
Total	**365,701**	494,768

Cash with banks earn interest at the respective bank deposit rates.

The Company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

6. Accounts Receivable

This account consists of:

	2017	2016
Accounts Receivable *(6.1)*	**13,459,609**	11,723,475
Due from Related Parties *(6.2)*	**2,352,179**	2,882,280
Advances from Officers & Employees *(6.3)*	**301,205**	246,670
Other Receivable	**142,582**	140,332
Total	**16,255,575**	14,992,757

6.1 Accounts Receivable pertain to outstanding accounts by various clients and some employees to be paid as agreed upon as follows:

	2017	*2016*
Accounts Receivable	***9,889,316***	*8,046,451*
Receivable from Officers & Employees	***3,570,293***	*3,677,023*
	13,459,609	*11,723,475*

6.2 Due from related parties composed of advances by the following:

	2017	*2016*
SEDPI Foundation, Inc.	***1,230,316***	*1,761,917*
SEDPI Social Enterprise Ventures, Inc.	***148,845***	*147,345*
SEDPI Capital Credit, Inc.	***973,018***	*973,018*
Total	***2,352,179***	*2,882,280*

6.3 Advances from Officers & Employees comprised of unliquidated advances for certain project activities.

7. Other Current Assets

This account consists of:

	2017	2016
Creditable tax	**1,678,448**	1,381,386
Prepaid Expense	**91,793**	-
Input tax	**239,211**	16,974
Total	**2,009,451**	1,398,359

8. Property and Equipment

December 31, 2017

	Office Equipment	**Furniture and Fixtures**	**Vehicle**	**Condomi-nium Unit**	**Land**	**Total**
Cost						
Balances at beginning of year	112,727	58,825	2,827,606	2,000,000	1,757,923	6,757,081
Additions	-	-	1,814,604	-	-	1,814,604
Balances at end of year	**112,727**	**58,825**	**4,642,210**	**2,000,000**	**1,757,923**	**8,571,685**

	Office Equipment	Furniture and Fixtures	Vehicle	Condominium Unit	Land	Total
Accumulated Depreciation						
Balances at beginning of year	41,995	56,144	1,407,768	133,333	-	1,639,240
Depreciation	20,054	700	238,913	66,667	-	326,333
Balances at end of year	**62,049**	**56,843**	**1,646,681**	**200,000**	**-**	**1,965,573**
Net Carrying Values	**50,678**	**1,982**	**2,995,529**	**1,800,000**	**1,757,923**	**6,606,112**

December 31, 2016

	Office Equipment	Furniture and Fixtures	Vehicle	Condomi nium Unit	Land	Total
Cost						
Balances at beginning of year	52,408	58,825	2,827,606	2,000,000	1,757,923	6,696,762
Additions	60,319	-	-	-	-	60,319
Balances at end of year	**112,727**	**58,825**	**2,827,606**	**2,000,000**	**1,757,923**	**6,757,081**

Accumulated Depreciation						
Balances at beginning of year	20,692	49,829	1,219,261	66,667	-	1,356,449
Depreciation	21,304	6,314	188,507	66,667	-	282,792
Balances at end of year	**41,995**	**56,144**	**1,407,768**	**133,333**	**-**	**1,639,240**
Net Carrying Values	**70,731**	**2,681**	**1,419,838**	**1,866,667**	**1,757,923**	**5,117,841**

The net carrying value of the property and equipment is equivalent to its fair value.

Furniture, fixtures and transportation equipments are carried at cost less accumulated depreciation.

Depreciation is computed on a straight line method over the estimated useful life of the assets as follows:

	Estimated Useful Life in Years
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

No assets were found impaired. Depreciation were charged to operation.

9. Accounts Payable and Other Current Liabilities

This account consists of:

	2017	2016
Due to Related Parties	**16,446,456**	15,717,738
Output VAT	**1,410,235**	1,093,461
Accounts Payable	**2,323,511**	899,848
Other Payables	**168,948**	617,925
Accrued expenses	**88,000**	80,000
SSS/HDMF/PHIC Payable	**2,804**	8,147
Withholding Tax Payable	**(598)**	6,348
Total	**20,439,356**	18,423,468

Due to related parties pertains to the advances by SEDPI from the following:

	2017	*2016*
SEDPI Capital Credit, Inc.	***15,796,456***	*15,067,738*
SEDPI Development Finance, Inc.	***650,000***	*650,000*
Total	***16,446,456***	*15,717,738*

Accounts payable represents the unpaid portion of the company's purchases of goods from its suppliers. They do not earn interest and expected to be settled within a short period of time. It also comprises liabilities for obligations to the government.

Other current liabilities represent statutory liabilities and are measured initially at their nominal values and subsequently being decreased by settlement payments.

Obligations to the government are remitted on the following month after being withheld from various income recipients.

10. Income Taxes

Republic Act (R.A.) No. 9337

On May 24, 2005, Republic Act No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said R.A., which became effective on November 2, 2005 are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;

- Increase in Value-Added Tax (VAT) rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance;
- Revised invoicing and reporting requirements for VAT; and
- Expanded scope of transactions subject to VAT.

On October 10, 2007, the BIR issued Revenue Regulations No. 12-2007, which amended the timing of the calculation and payment of MCIT from an annual basis to quarterly basis, i.e. excess MCIT from a previous quarter during the current taxable year may be applied against subsequent quarterly or current annual income tax due, whether MCIT or Regular Corporate Income Tax (RCIT). However, excess MCIT from the previous taxable year/s is not creditable against MCIT due for a subsequent quarter and are only creditable against quarterly and annual RCIT.

The reconciliation of the income tax expense computed at statutory tax rate and the income tax liability for the current period is as follows:

COMPUTATION OF TAXABLE INCOME:

	2017	2016
Gross Income	6,841,973	7,234,350
MCIT Rate	2%	2%
MCIT	**136,839**	144,687
Ordinary Allowable Itemized Deductions	6,634,831	6,807,551
TAXABLE INCOME	**207,142**	426,800
At 30% Income tax	62,143	128,040
BASIC INCOME TAX	136,839	144,687
PROVISION FOR INCOME TAX	**136,839**	144,687
Less: Tax paid 1st-3rd Quarters	-	-
Tax Due	136,839	144,687
Less: Creditable w/tax-previous year	1,118,277	1,262,964
Creditable w/tax-this year	433,901	-
Income tax payable	**(1,415,339)**	(1,118,277)

Reconciliation of Net Income Per Books Against Taxable Income

	2017	2016
Net Income/(Loss) per books	**181,527**	426,882
Add: Non-deductible Expenses/Taxable Other Income		
Disallowed Interest Expense	**-**	-
Penalties and Charges	**-**	-
Less: Non-taxable income subjected to Final Tax		
Interest Income	**(90)**	(83)
Other Income		-
Foreign Exchange Loss	**25,705**	-
Net Taxable Income	**207,142**	426,800

11. Capital Stock

Authorized Capital Stock	**₱ 5,684,000**	**28,420 shares**
Subscribed Capital Stock	**3,203,140**	**16,015 shares**
Amount of Paid In Capital	**1,172,540**	**5,863 shares**

On November 8, 2011, the Corporation, by the affirmative vote of the members of its Board of Directors and the affirmative vote of its stockholders owning One Hundred Percent (100%) of the outstanding capital stock of the Corporation, has approved the increase in the authorized capital stock of the corporation from Twenty Thousand Pesos (₱20,000.00) divided into One Hundred (100) shares with par value of Two Hundred Pesos (₱200.00) per share to Five Million Six Hundred Eighty Four Thousand Pesos (₱5,684,000.00) divided into Twenty Eight Thousand Four Hundred Twenty (28,420) shares with par value of Two Hundred Pesos (₱200.00) per share. This is in accordance with the provision of Section 38 of the Corporation Code of the Philippines(Batas Pambansa Blg. 68).

On December 31, 2015, additional 2,973 shares, from 7,180 shares to 10,153 shares, were subscribed and fully paid up through additional capital of ₱1,656,600, broken down as follows:

Stock dividends declared	***999,600***
Conversion of advances from stockholder to stocks	***657,000***
Total	***1,656,600***

12. Revenues

This account consists of:

	2017	2016
Training Services	**4,971,045**	320,367
Research	**3,961,480**	6,990,625
Management Services	**1,473,214**	3,460,152
TOTAL	**10,405,739**	10,771,144

The revenues were received from the following:

	2017	2016
People In Need (PIN)	**2,525,415**	2,507,573
RAFI Micro-Finance, Inc.	**2,261,464**	-
SDFI	**1,569,786**	-
DBP IGLF	**1,330,625**	-
ARDCI Bank Inc.- A Rural Bank	**784,421**	-
Cebu LGU	**624,486**	-
Habitat for Humanity	**555,072**	-
Department of Agrarian Reform (DAR)	**427,857**	233,528
Oxfam	**267,857**	6,522,366
LT & G	**40,899**	-
ASSIST	**17,857**	-
Baba's Foundation Inc (BFI)	**-**	120,402
Climate Change Commission	**-**	803,561
Community Rural Bank of Dapitan City, Inc. (CRBDCI)	**-**	67,361
De La Salle University	**-**	-
Department of Trade & Industry (DTI)	**-**	1,674
Planbank	**-**	10,714
PTC-CSJ Foundation	**-**	8,929
Savings Banks Foundation for International Cooperation E.V. (SBFIC)	**-**	347,857
Tulay Sa Pag-unlad, Inc. (TSPI)	**-**	49,018
Water.Org	**-**	89,286
Various Individuals	**-**	8,875
	10,405,739	10,771,144

13. Cost of Services

This account consists of:

	2017	2016
Board and Lodging	**1,877,079**	1,954,514
Transportation and Travel	**848,700**	705,310
Supplies and Materials	**586,524**	538,504
Communication	**235,851**	243,469
Trainings and Seminar Expenses	**15,612**	94,996
TOTAL	**3,563,767**	3,536,794

Cost of services are recognized in the statement of income upon utilization of the service or on the date they are incurred.

14. Operating Expenses

This account consists of:

	2017	2016
Salaries and Benefits	**1,436,969**	1,945,918
Staff Development	**1,213,114**	1,040,027
Transportation	**1,068,155**	871,000
Donation	**561,300**	8,000
Insurance	**500,021**	601,196
Depreciation Expense	**326,333**	282,791
Utilities	**279,849**	216,679
Marketing and Advertising	**236,013**	257,059
Repairs and Maintenance	**190,872**	196,104
Professional Fee	**181,500**	341,755
Taxes and Licenses	**135,394**	247,465
Medical Assistance	**126,316**	32,246
Supplies and Reproduction	**112,407**	462,479
SSS,PHIC, HDMF & Other Contributions	**109,713**	140,687
Dues and Other Fees	**104,764**	120,634
Miscellaneous	**44,102**	21,593
Communication	**8,010**	15,917
Meetings and Conferences	**-**	6,000
TOTAL	**6,634,831**	6,807,551

Operating expenses are recognized in the statement of income upon utilization of the service or on the date they are incurred.

15. Information required by Bureau of Internal Revenue's Revenue Regulation (RR) 15-2010.

In compliance with the requirements set forth by Revenue Regulation No. 15-2010 hereunder are the information on taxes, duties, and licenses during the taxable year 2017.

15.1 Output Tax

	2017	2016
Output Tax	**912,756**	1,093,873
Deferred VAT	**265,664**	24,991
Total	**1,178,420**	1,118,864

15.2 Input Tax

The Company's input VAT are part of the domestic purchases/payments for services lodged on cost of services and operating expenses, computed as follows:

		2017		2016
Balance, January 1	₱	**16,974**	₱	38,371
Domestic purchases/payments for services lodged on cost of sales and operating expenses		**649,470**		423,698
VAT remittance		**(427,233)**		(445,095)
Balance, December 31	₱	**239,211**	₱	16,974

15.3 Withholding taxes

The amount of withholding taxes is as follows:

	2017	2016
Tax on compensation	**6,344**	35,973
Expanded withholding tax	**15,400**	11,556
Total	**21,744**	47,529

15.4 Other Taxes and Licenses

The local and national taxes lodged under "Taxes and Licenses" in the statements of income include the following:

	2017	2016
Business Permit	**127,452**	138,281
Real Property Tax	**6,237**	9,353
PRC	**990**	-
BIR Registration & Other Fees	**600**	915
NBI Clearance	**115**	-
Transfer of Property	**-**	49,244
Final Taxes	**-**	43,714
LTO Registration	**-**	5,958
Total	**135,394**	247,465

15.5 Landed Cost, Customs' Duties and Tariff Fees

The Company did not have any importation in 2017 that would require for the payment of customs duties and tariff fees.

15.6 Excise Tax

The Company did not have any transaction in 2017 which is subject to excise tax.

15.7 Documentary Stamp Tax

The Company did not have any transaction in 2017 which are subject to documentary stamp tax.

15.8 Tax Assessment

The Company has no final deficiency tax assessments, whether protested or not.

15.9 Tax Cases

As of December 31, 2017 the company has no pending tax court cases nor has it received any tax assessment notices from the BIR.

16 Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Presented below is the summary of the related party transactions for the year 2017, to wit:

16.1 Advances made by the following related parties:

SEDPI Foundation, Inc.	***1,230,316***
SEDPI Social Enterprise Ventures, Inc.	***148,845***
SEDPI Capital Credit, Inc.	***973,018***
Total	***2,352,179***

16.2 Advances received from the following related parties:

SEDPI Capital Credit, Inc.	***15,796,456***
SEDPI Development Finance, Inc.	***650,000***
Total	***16,446,456***

17 Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.